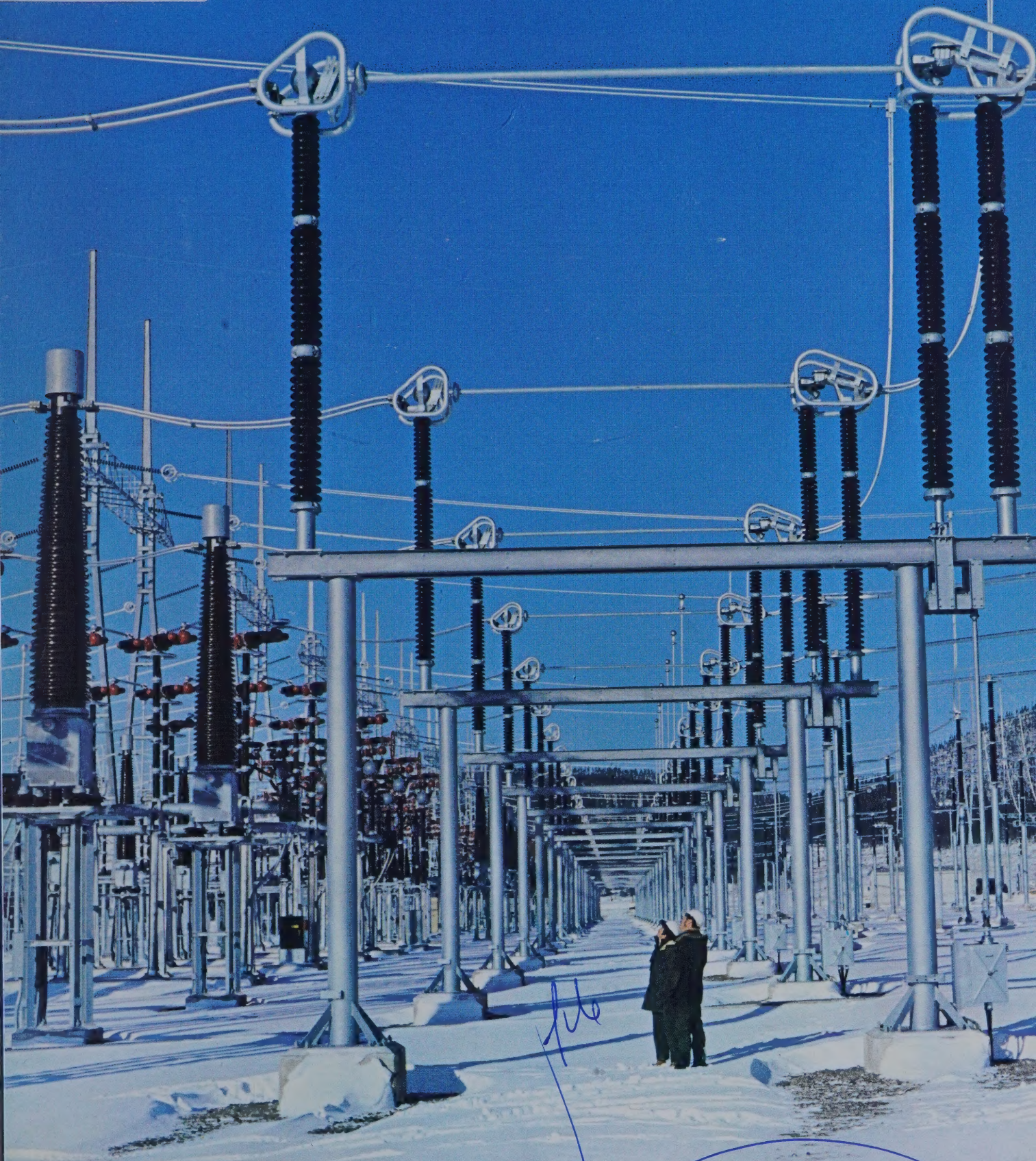


AR27



1971 ANNUAL REPORT

PORTER

H. K. PORTER COMPANY, INC.



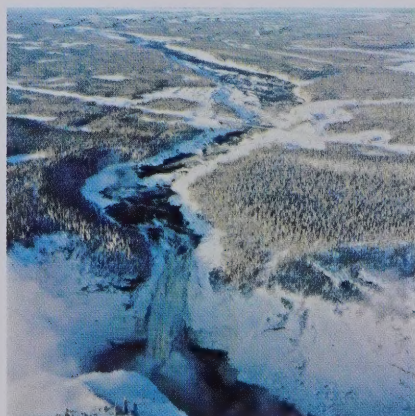
1971 ANNUAL REPORT

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On the Cover:

These 735 KV Delta-Star disconnect switches, made at our Woodstock, Ontario plant, are among the largest ever installed in Canada. They are located at the spectacular Churchill Falls Power Development (shown at left) in Central Labrador.

DIRECTORS

CHARLES B. BATON
B. CAMPBELL BLAKE
JAMES A. DRAIN
THOMAS M. EVANS
THOMAS M. EVANS, JR.
FRED C. FOY
ROY A. HUNT, JR.
GEORGE D. LOCKHART
J. STUART MORROW
CHARLES W. VEATCH

CORPORATE OFFICERS

THOMAS M. EVANS
Chairman
J. STUART MORROW
President
R. W. DAVISON
Executive Vice President
J. N. YORKE
Vice President-Finance
J. S. BANAS
Vice President
W. E. HAINES
Vice President
H. T. MONTGOMERY
Vice President
C. P. STEWART, JR.
Vice President
T. P. LUSCHER
Secretary and General Counsel
CHARLES V. EMORY
Controller
W. H. HARTZELL
Treasurer
C. E. WEISS
Assistant Treasurer

SUBSIDIARY MANAGERS

DOMESTIC

P. E. HOLMES
Pacific Asbestos Corporation
R. E. TROCIN
Banks Miller Supply Company

INTERNATIONAL

C. BEGNOZZI
Brasil
W. H. HOHN
Canada
J. L. OLIVARES
Mexico
P. K. STUDNER
Europe

STOCK TRANSFER AGENT

First National City Bank,
New York, New York

STOCK REGISTRAR

Morgan Guaranty Trust Company of
New York, New York

AUDITORS

Arthur Andersen & Co.
Pittsburgh, Pennsylvania

March 24, 1972

*To the Stockholders of
H. K. Porter Company, Inc.:*

During 1971, the management of your Company continued its program of eliminating unprofitable operations and increasing liquidity. The Pascagoula Works of the Refractories Division was sold. The Quaker Rubber Works in Philadelphia was closed and the plant, property and equipment are in the process of being sold. The Thermoid operations of Porter Australia were sold. In December, we acquired all of the minority interest in Brakemasters, Ltd., a Melbourne, Australia concern.

Late in February, 1972, all of the stock of Disston, Inc., a wholly-owned subsidiary, was sold through a public offering by an underwriting group headed by Merrill Lynch, Pierce, Fenner & Smith, Incorporated. Although the Disston operations made a significant contribution to 1971 earnings, it is believed that the effect of the sale on 1972 earnings will be relatively unimportant as compared with 1971. In 1971, Disston, Inc. had sales of \$28,265,000 and contributed \$3,950,000 to the Company's pre-tax profits from operations of \$6,224,364. The net book value of Disston, Inc. at December 31, 1971 was \$10,751,000. An unaudited balance sheet of H. K. Porter Company, Inc. as of February 29, 1972 is presented on pages 10 and 11 to show the effect of the sale. The net proceeds from the sale were approximately \$23,700,000 after estimated capital gains tax.

SALES AND EARNINGS

Net sales in 1971 were \$253,599,652 compared to \$278,914,530 in 1970. Net income from operations for the year amounted to \$2,774,017 compared to \$1,844,662 in 1970. Extraordinary charges net of taxes in 1971 were \$168,430 compared to \$3,755,926 in 1970. After extraordinary items, the Company in 1971 had a profit of \$2,605,587 compared with a loss in 1970 of \$1,911,264.

The profit in 1971 equalled \$1.34 per common share, after provision for dividends on Preference Stock, compared with a loss of \$2.10 in 1970.

PLANT IMPROVEMENTS

Capital expenditures for plant, property, and equipment totaled \$6,330,960 during the year, exceeding depreciation by \$642,574.

At the Connors Works in Birmingham, work began on a new melt shop, which will both increase capacity and eliminate all smoke, dust and fumes from the facility. Two 20-ton and one 15-ton electric furnaces will be replaced by two, modern 30-ton furnaces. The installation should be completed by August. During the year, an automated line for the shearing and bending of reinforcing bars was completed. At Connors' West Virginia Works, a continuous line for the manufacture of roof bolts was installed.

The W-S Fittings Works of the Fabricated Metals Division, in order to be eligible to market fittings for nuclear power plants, set up a special test laboratory meeting Government specifications. The Alloy Works rearranged much of its equipment so that the work flows through the plant in a straight line with consequent economies. The Coldform operations were consolidated in the Frankfort Works.

The major expenditures in the Electrical Division were for new machine tools for the Chicago Works and a high-speed, automatic fin press for the Marlo Coil Works.

In the Thermoid Division, an expenditure of over \$1,000,000 was made at the Bennettsville Works to provide a modern dust collection, air conditioning, and humidity control system. A new yarn treating tower at the Amco Works increased capacity about 50 percent.

Two major expenditures were made during the year outside the United States. In France, the Marpent Works completed an automated shot-blast tunnel to clean raw steel castings. In Brasil, an addition was made to the Maua Works into which the business of the Ceramica Works is being moved. The Ceramica plant will then be sold.

In both cases, the costs of these overseas investments were financed locally.

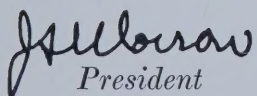
FINANCIAL NOTES

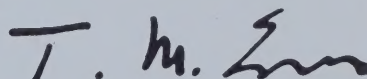
The Company and its subsidiaries have several non-contributory pension plans that provide retirement income for substantially all of their salaried and hourly employees. Pension expense (and funding) includes amortization of prior service costs over 40 years. The total pension expense charged to income under the plans was \$2,001,000 in 1971. The actuarially computed value of vested benefits exceeded fund assets by approximately \$6,484,000 at the date of most recent valuation.

The extraordinary items during 1971 were primarily occasioned by losses incurred in connection with the closing and sale of several plants.

During the year, in addition to dividends on Preference Stock, the Company paid four quarterly dividends of \$.25 per share to the holders of Common Stock.

Cordially yours,


President


Chairman

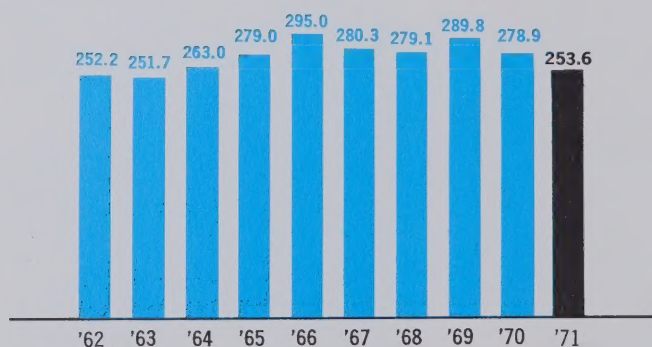
Ten Year Consolidated Financial Summary

	Net Sales	Earnings Before Taxes	Earnings After Taxes	Working Capital	Charges for Depreciation and Amortization	Common Stockholders			
						Equity		Earnings Per Share*	Cash Flow Per Share*
						Total	Per Share*		
1962	\$252,179,013	\$ 8,081,021	\$4,169,876	\$60,637,259	\$8,019,663	\$56,320,073	\$42.61	\$2.25	\$8.32
1963	251,687,132	7,887,498	4,014,498	59,034,679	7,674,758	56,352,722	42.63	2.21	8.02
1964	263,045,895	9,274,434	5,134,434	52,652,597	7,704,340	58,779,026	44.47	3.19	9.02
1965	278,990,242	10,701,308	5,713,308	55,080,148	8,043,894	61,804,687	46.76	3.65	9.74
1966	294,985,335	13,929,090	7,440,090	61,278,812	7,683,682	66,587,079	50.38	5.01	10.82
1967	280,310,952	7,702,325	4,274,325	53,772,790	8,219,894	67,851,601	51.33	2.57	8.79
1968	279,121,958	6,948,537	3,830,210	56,570,300	8,606,362	68,716,865	51.99	2.24	8.75
1969	289,838,712	8,013,293	4,113,231	51,992,822	6,346,458	69,822,384	52.94	2.46	8.18
1970	278,914,530	(2,784,982)	(1,911,264)	47,850,825	6,047,592	65,725,690	49.83	(2.10)	2.49
1971	253,599,652	5,884,934	2,605,587	47,826,662	5,688,386	66,425,034	50.36	1.34	5.63

*Adjusted for stock dividends and splits

NET SALES

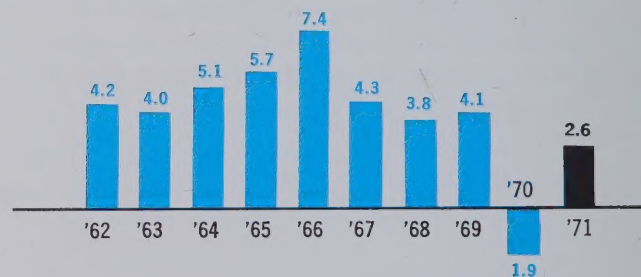
(MILLIONS)



NET EARNINGS

(after taxes)

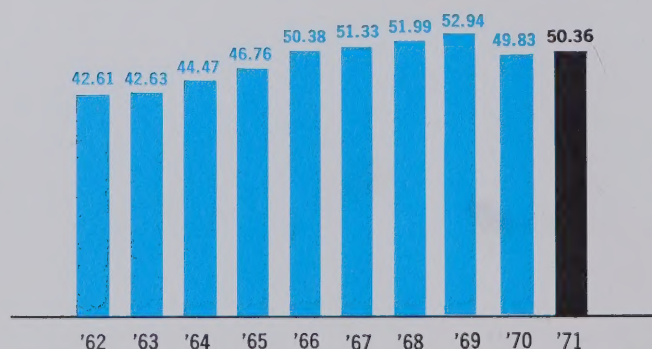
(MILLIONS)



COMMON STOCKHOLDERS' EQUITY

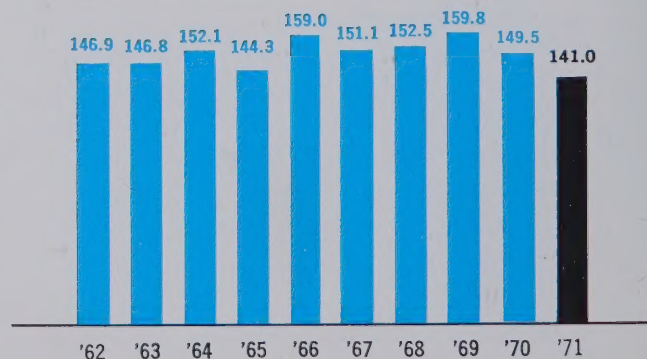
per share (adjusted for stock dividends and splits)

(DOLLARS)



TOTAL ASSETS

(MILLIONS)





Statement of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Net Sales	\$253,599,652	\$278,914,530
Cost of Sales (exclusive of depreciation and amortization)	215,230,331	239,080,596
	<u>\$ 38,369,321</u>	<u>\$ 39,833,934</u>
Selling, General and Administrative Expenses	\$ 25,896,070	\$ 28,589,191
Depreciation and Amortization (primarily straight-line method)	5,688,386	6,047,592
Interest on Borrowings	1,544,084	2,380,757
Other Expense (Income), net	(983,583)	(624,108)
	<u>\$ 32,144,957</u>	<u>\$ 36,393,432</u>
Income Before Provision for Taxes and Extraordinary Items	\$ 6,224,364	\$ 3,440,502
Provision for Taxes on Income:		
Current	2,450,347	995,840
Deferred	1,000,000	600,000
Income before extraordinary items	<u>\$ 2,774,017</u>	<u>\$ 1,844,662</u>
Extraordinary Items, net of income tax of \$171,000 in 1971	(168,430)	(3,755,926)
Net income (loss)	<u><u>\$ 2,605,587</u></u>	<u><u>\$ (1,911,264)</u></u>
Net Income (Loss) per Share of Common Stock:		
Income before extraordinary items	\$1.47	\$.75
Extraordinary items, net of income tax	(.13)	(2.85)
Net income (loss)	<u><u>\$1.34</u></u>	<u><u>\$(2.10)</u></u>



Consolidated

DECEMBER 31

ASSETS	1971	1970
Current Assets:		
Cash	\$ 7,319,018	\$ 6,017,078
Marketable securities, at cost (quoted market \$3,787,359 in 1971)	4,681,796	2,295,101
Federal income tax refund	—	2,269,760
Receivables, less allowance of \$611,258 in 1971 and \$914,498 in 1970	<u>32,555,106</u>	<u>38,217,609</u>
Inventories, at lower of cost or market:		
Raw materials and supplies	\$ 16,240,871	\$ 15,283,518
Work in process	13,984,122	14,188,960
Finished goods	<u>18,623,464</u>	<u>19,904,438</u>
	\$ 48,848,457	\$ 49,376,916
Less reserve to state certain inventories at LIFO cost	<u>6,596,340</u>	<u>6,399,095</u>
Total inventories (including \$30,276,132 on LIFO basis in 1971 and \$29,952,148 in 1970)	\$ 42,252,117	\$ 42,977,821
Prepaid expenses	<u>914,828</u>	<u>1,333,774</u>
Total current assets	<u>\$ 87,722,865</u>	<u>\$ 93,111,143</u>
Other Assets	<u>\$ 1,672,170</u>	<u>\$ 1,388,694</u>
Property, Plant and Equipment, at cost:		
Land	\$ 4,168,742	\$ 4,812,996
Buildings and leasehold improvements	30,484,527	35,690,182
Machinery and equipment	<u>93,353,892</u>	<u>103,258,089</u>
	\$128,007,161	\$143,761,267
Less accumulated depreciation and amortization	<u>76,350,603</u>	<u>88,720,654</u>
Net property, plant and equipment	<u>\$ 51,656,558</u>	<u>\$ 55,040,613</u>
	<u>\$141,051,593</u>	<u>\$149,540,450</u>

Balance Sheet

1971 AND 1970

LIABILITIES	1971	1970
Current Liabilities:		
Short-term loans and current portion of long-term debt	\$ 4,169,842	\$ 7,117,891
Accounts payable	17,110,091	17,910,659
Accrued payrolls, taxes and other liabilities	10,877,099	13,587,104
Income taxes	7,739,171	6,644,664
Total current liabilities	<u>\$ 39,896,203</u>	<u>\$ 45,260,318</u>
Long-Term Debt, less current portion:		
5¼% promissory notes, payable April 1, 1976; annual prepayment of \$2,000,000 through 1975 . .	\$ 13,000,000	\$ 15,000,000
5¼% to prime plus ¼% bank notes, payable 1973 . .	2,000,000	3,571,428
Miscellaneous subsidiary term debt	1,387,431	2,079,586
	<u>\$ 16,387,431</u>	<u>\$ 20,651,014</u>
Deferred Income Taxes	<u>2,800,000</u>	<u>1,800,000</u>
Other Deferred Credits	<u>674,925</u>	<u>357,428</u>
Stockholders' Equity:		
5½% cumulative sinking fund preference stock— par value \$100 per share—subject to annual sinking fund requirements—authorized 198,996 shares, issued 168,797 shares, less 20,117 treasury shares in 1971	\$ 14,868,000	\$ 15,746,000
Common stock—par value \$5 per share— authorized 3,000,000 shares, issued 1,322,587 shares, less 3,624 treasury shares	6,594,815	6,594,815
Capital surplus	2,137,829	2,068,319
Earned surplus (\$2,372,000 for common stock or \$5,372,000 for preference stock not restricted in 1971 as to cash dividends under loan agreements) .	57,692,390	57,062,556
Total common stockholders' equity	<u>\$ 66,425,034</u>	<u>\$ 65,725,690</u>
Total stockholders' equity	<u>\$ 81,293,034</u>	<u>\$ 81,471,690</u>
	<u>\$141,051,593</u>	<u>\$149,540,450</u>



Statement of Consolidated Surplus

FOR THE YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Capital Surplus:		
Balance beginning of year	\$ 2,068,319	\$ 2,253,495
Add—		
Excess of par value over cost of preference stock reacquired	254,129	—
	<u>\$ 2,322,448</u>	<u>\$ 2,253,495</u>
Deduct—		
Transfer to earned surplus a portion of excess of book values of net assets of acquired companies over investments therein deemed to be realized through sales, retirements or depreciation	\$ 184,619	\$ 184,619
Other	—	557
Balance end of year	<u><u>\$ 2,137,829</u></u>	<u><u>\$ 2,068,319</u></u>
Earned Surplus:		
Balance beginning of year	\$57,062,556	\$60,974,074
Add—		
Net income (loss)	2,605,587	(1,911,264)
Transfer from capital surplus, as explained above	184,619	184,619
	<u>\$59,852,762</u>	<u>\$59,247,429</u>
Deduct—		
Dividends on:		
5½% preference stock	\$ 841,409	\$ 866,488
Common stock—\$1.00 per share	1,318,963	1,318,385
	<u>\$ 2,160,372</u>	<u>\$ 2,184,873</u>
Balance end of year (\$2,372,000 for common stock or \$5,372,000 for preference stock not restricted in 1971 as to cash dividends under loan agreements)	<u><u>\$57,692,390</u></u>	<u><u>\$57,062,556</u></u>



Statement of Consolidated Source and Use of Cash

FOR THE YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Source of Cash:		
Balance, January 1	\$ 6,017,078	\$ 4,478,813
Additions to cash during the year:		
Net income (loss)	\$ 2,605,587	\$(1,911,264)
Depreciation and amortization	5,688,386	6,047,592
Deferred income taxes	1,000,000	600,000
Amortization of excess of book value of subsidiaries acquired over cost	(396,000)	(968,711)
Disposals of property, plant and equipment	4,026,629	12,364,446
Federal income tax refund	2,269,760	—
(Increase) decrease in accounts receivable	5,662,503	(2,228,595)
Decrease in inventories	725,704	7,870,489
Net increase (decrease) in other deferred credits ..	317,497	(190,031)
Increase (decrease) in other	531,470	(93,919)
Total additions to cash	<u>\$22,431,536</u>	<u>\$21,490,007</u>
Use of Cash:		
Disposition of cash during the year:		
Additions to property, plant and equipment	\$ 6,330,960	\$11,051,000
Reduction of debt	7,211,632	6,586,006
Dividends	2,160,372	2,184,873
Increase in marketable securities	2,386,695	—
Reacquisition of preference stock	623,871	—
(Increase) decrease in accounts payable and accruals	2,416,066	(414,593)
Purchase price of companies acquired for cash ..	—	544,456
Total disposition of cash	<u>\$21,129,596</u>	<u>\$19,951,742</u>
Net cash increase for the year	<u>\$ 1,301,940</u>	<u>\$ 1,538,265</u>
Balance, December 31	<u>\$ 7,319,018</u>	<u>\$ 6,017,078</u>

Accountants' Report

To the Stockholders and the Board of Directors,
H. K. Porter Company, Inc.:

We have examined the consolidated balance sheet of H. K. PORTER COMPANY, INC. (a Delaware corporation) and subsidiaries as of December 31, 1971, and the related statements of income, surplus, and source and use of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

During 1971, decision was made by the Company to discontinue operations at its Quaker Works. In providing for closing costs of this Works, the Company has not made provision for pension benefits or retirement income which may be determined to be due severed employees through negotiation or litigation of the pension contract. It is the opinion of management of the Company that such liabilities if any, are not presently determinable.

In our opinion, the accompanying consolidated balance sheet presents fairly the financial position of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1971, and subject to the outcome of the matter discussed in the preceding paragraph, the accompanying related statements of income, surplus, and source and use of cash present fairly the results of their operations and source and use of cash for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pittsburgh, Pennsylvania,
January 21, 1972, except for the sale of Disston, Inc. stock,
page 1 paragraph 2, as to which the date is March 2, 1972.

ARTHUR ANDERSEN & CO.

Consolidated Balance Sheet

February 28, 1972

(After giving effect to sale of

ASSETS	1972
Current Assets:	
Cash	\$ 5,369,041
Marketable securities, at cost (quoted market \$3,116,000)	3,281,626
Proceeds due from underwriter in sale of Disston, Inc. stock	31,700,000
Receivables, less allowance of \$536,351	<u>30,218,461</u>
Inventories, at lower of cost or market:	
Raw materials and supplies	\$ 14,302,822
Work in process	12,655,470
Finished goods	<u>15,185,067</u>
	\$42,143,359
Less reserve to state certain inventories at LIFO cost	<u>6,127,209</u>
Total inventories	\$ 36,016,150
Prepaid expenses	<u>1,025,960</u>
Total current assets	<u>\$107,611,238</u>
Other Assets	<u>\$ 3,601,813</u>
Property, Plant and Equipment, at cost:	
Land	\$ 3,935,089
Buildings and leasehold improvements	28,550,109
Machinery and equipment	<u>85,422,836</u>
	\$117,908,034
Less accumulated depreciation and amortization	<u>69,747,330</u>
Net property, plant and equipment	<u>\$ 48,160,704</u>
	<u><u>\$159,373,755</u></u>

Balance Sheet (Unaudited)

December 31, 1972

Consolidated, Inc., Common Stock

LIABILITIES

1972

Current Liabilities:

Short-term loans and current portion of long-term debt	\$ 3,322,489
Accounts payable	16,969,870
Accrued payroll, taxes and other liabilities	11,354,382
Dividends payable	329,273
Income taxes	15,631,523
Total current liabilities	<u>\$ 47,607,537</u>

Long-Term Debt, less current portion:

5¼% promissory notes, payable April 1, 1976; annual prepayment of \$2,000,000 through 1975	13,000,000
Prime plus ¼% bank notes, payable 1973	1,000,000
Miscellaneous subsidiary term debt	1,321,972
	<u>\$ 15,321,972</u>

Deferred Income Taxes	<u>2,900,000</u>
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Other Deferred Credits	<u>422,399</u>
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Stockholders' Equity:

5½% cumulative sinking fund preference stock—par value \$100 per share—subject to annual sinking fund requirements—authorized 198,996 shares, issued 168,797 shares, less 20,277 treasury shares in 1972	<u>\$ 14,852,000</u>
Common stock—par value \$5 per share—authorized \$3,000,000 shares, issued 1,322,587 shares, less 3,624 treasury shares . .	6,594,815
Capital surplus	2,142,486
Earned surplus (\$2,195,704 for common stock or \$5,195,704 for preference stock not restricted as to cash dividends under loan agreements)	69,532,546
Total common stockholders' equity	<u>\$ 78,269,847</u>
Total stockholders' equity	<u>\$ 93,121,847</u>
	<u>\$159,373,755</u>

OPERATIONS REPORT

DOMESTIC DIVISIONS

CONNORS STEEL DIVISION

Hot rolled merchant bars and bar shapes, light structurals, special sections, cold finished bars, bulb tees, mine roof bolts, reinforcing bars, light rail, mine ties. Plants at Birmingham, Ala.; New Orleans, La. and Huntington, W. Va.

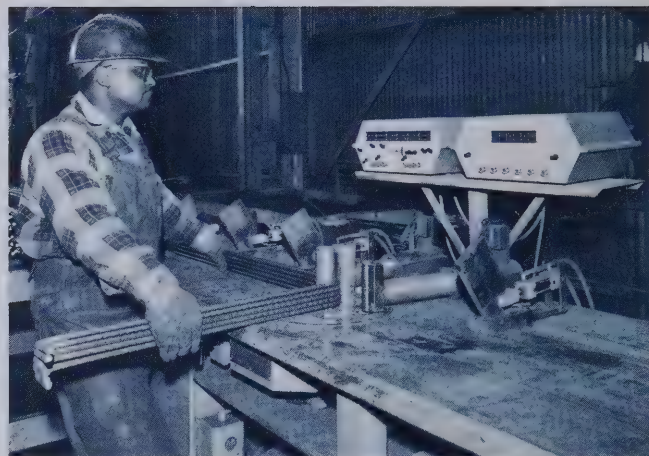
The year 1971 was not up to expectations for the Connors Steel Division. Competition was quite intense from both domestic and foreign mills, with much of the strike hedge tonnage going to foreign steel producers.

After a new three-year labor contract was negotiated in the third quarter of 1971, steel customers instituted drastic inventory reductions adversely affecting operating rates through December.

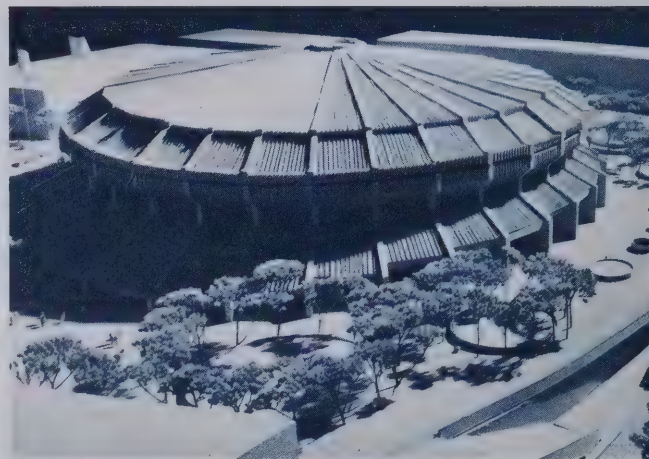
Vigorous sales efforts are being directed toward developing new business, with emphasis on customer applications involving special requirements in dimensions, tolerances, finishes, and other nonstandard features. Facilities at both the Birmingham and Huntington mills have been placed in operation to service this type of business, with gratifying progress already achieved.

At the Connors Works in Birmingham, a new melt shop has been approved and the contracts for construction and installation placed. Target date for completion is the third quarter of 1972.

The new facility will consist of two 30 ton computer-controlled electric furnaces equipped with 20,000 KVA transformers, and will have a modern



At Connors Works, recently-installed bender increases reinforcing bar fabricating efficiency.



Connors bulb tees provide structural roof deck support for Richmond Coliseum in Richmond, Virginia.

dry air baghouse pollution control system. The unit is designed to provide a maximum pickup efficiency of up to 99 percent of the particulate matter resulting from furnace emissions.

When complete, the new melt shop is expected to bring about a better balance between melting and finishing capability for the Connors Works.



More than 4,000 tons of Connors reinforcing bars were used for new Sinclair Community College, Dayton, Ohio.



Completed pots from Owensville Works are utilized as vats for melting glass base materials.

REFRACTORIES DIVISION

Fireclay and high alumina, mullite and pouring pit refractories for use in steel, ferrous, non-ferrous, cement and lime, glass and other industries. Also refractories for basic oxygen vessels. Plants at Bessemer, Ala.; Shelton, Conn.; Fulton and Owensville, Mo.; Hammondsville, Ind.; Urichville and Wellsville, Ohio, and Vanport, Pa.

1971 was a year of tremendous change for the Refractories Division. Major product lines were both deleted and added during a year which was most difficult for marketing refractory products. Low raw steel production and generally depressed heavy industry operating rates not only contributed to declining sales as the year progressed, but put great pressure on the pricing structure of all refractories. However, several important product improvements developed during the year will provide new marketing opportunities in 1972.

The most significant product change in the Division was the phasing out of the basic refractories business at Pascagoula, Mississippi, which represented a very substantial percentage of the Division sales volume. The chemical plant, producing raw material for basic type refractories, was sold in January, the basic brick plant discontinued operations in May, and in December it was sold. While these events had an adverse effect on operations during 1971, the sale of the plants was in the best interest of the company due to substantial long range investment required in pollution control and process equipment.

At the Vanport Works, much progress was achieved in the manufacture of refractories for basic oxygen vessels. Product quality was improved throughout the year because of experimental alterations in raw materials and manufacturing techniques. As a result of these improvements, substantial new process equipment will be on stream

during the first quarter of 1972.

New facilities now being installed at the Fulton plant will enable the Division to manufacture a full line of castables, mortars, ramming mixes, and plastics by the second quarter of 1972. These refractory specialties products are sold in a wide variety of heat applications, thereby having the beneficial effect of greatly enlarging the marketing opportunities for the Division sales force.

The new Owensville plant went into operation early in 1971 for the manufacture of glass pots and wet mortars. Results have been most gratifying and continued progress is anticipated in 1972.

The pouring pit operations were entirely dependent on raw steel production which experienced a fairly strong first half in anticipation of a steel strike, but abnormally low shipments in the second half. Some improvements, with a more uniform rate through the year, are expected during 1972.



Cement kiln firing hood lined with Porter Superset Plastic Fire Brick supported with Spallac Super Duty Anchors and ringed with Spallac Fire Brick shapes.

ELECTRICAL DIVISION

"Delta-Star" high and low voltage switches, isolated phase and industrial bus, substations, connectors, terminators, cable accessories, distribution and power transformers, current collector systems. "Marlo Coil" heat transfer, commercial and industrial air conditioning equipment. "Peerless Electric" standard and special electric motors, industrial and commercial fans and blowers, and ventilating equipment. "Superior" metal trim. Plants at Springdale, Ark.; Belmont, Calif.; Chicago, Ill.; St. Louis, Mo.; Warren, Ohio; and Lynchburg, Va.

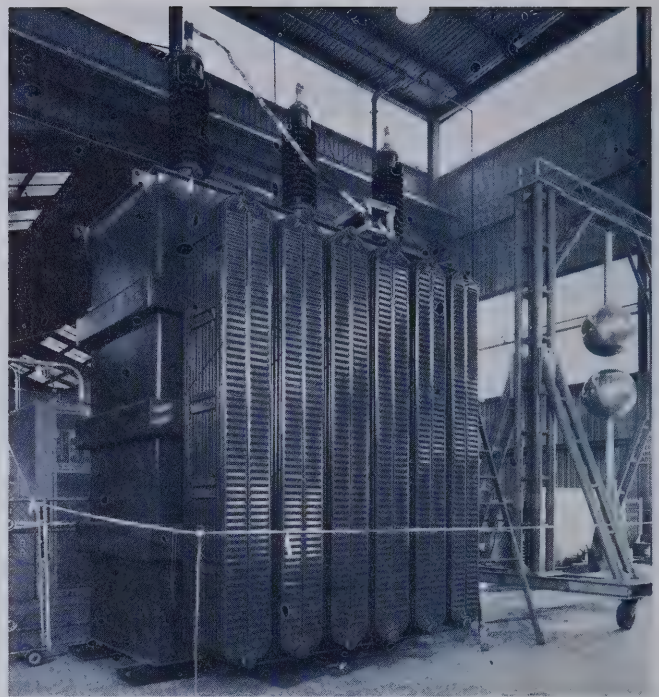
Electrical Division sales in 1971 were about equal to the prior year. Profits were down due primarily to severe price competition in the transformer markets. In general, all utility product lines felt the adverse effects of reduced purchasing activity and overcapacity. The situation appeared to be improving at year-end, however, and expanded purchases by utilities should restore better price levels in 1972. Greatest improvement in the year was achieved at Marlo Coil Works where planned programs of marketing effort attracted the best kinds of business for that plant.

The Belmont Works continued its planned growth into larger and higher voltage power transformers. During the year, several units rated 115,000 volts primary were shipped, and units up to 25 MVA capacity were tested and delivered. This plant is well suited to larger types and future programs are geared to increasing capabilities in these more profitable sizes. A new underground commercial distribution transformer was designed and is well accepted by important customers. The private utility sector continues to be Belmont's best market. The public and Federal power groups are a large but more competitive market. Plans were completed in the year to expand the sale of the "Superior" metal trim line in the South and Southeast.

In 1971, the Chicago Works, home of "Delta-Star" high voltage products, felt the generally depressed sales activity and extreme competitive pressure. The switch and substation markets were hardest hit with severely reduced bookings and sales. Continuing its earlier growth trends, the isolated phase bus line scored new bookings and sales levels. "Delta-Star" has a good opportunity to become the dominant leader in this field, which has a solid



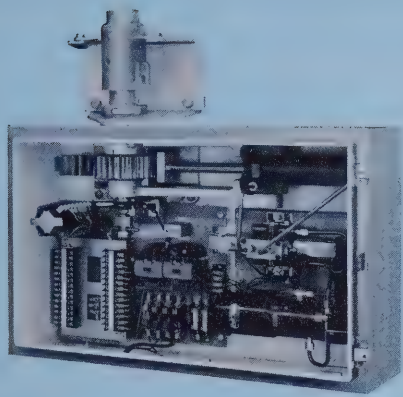
New high torque "Peerless Electric" permanent magnet motor finds application in the machine tool industry.



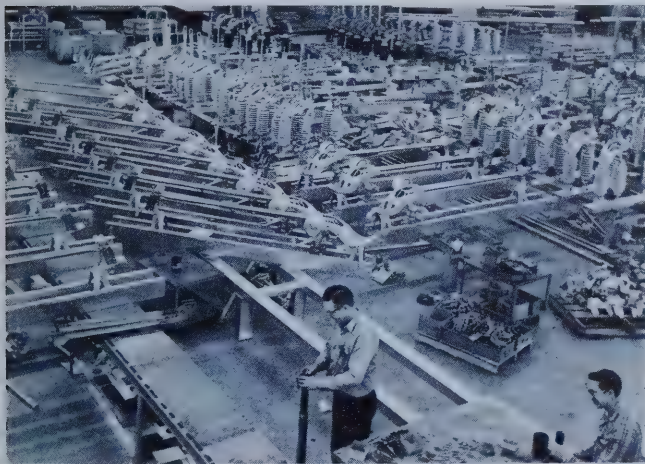
Three-phase power transformer rated 7500 KVA, 115,000 volts under test at Belmont Works.

future based on projected utility generation growth plans. Urgent cost reduction programs are under way to restore profitability and permit meeting competition in the basic switch markets. A new high torque motor hydraulic switch operator was introduced and should gain rapid sales acceptance. A unique phase reversal switch for heavy bus applications to convert generator to motor operation in pumped water storage generation projects was developed and sold. In the transportation field, a new third rail sectionalizing disconnect switch was developed with a major urban transit system and is now undergoing field tests. It is a device with potential on all third rail transit systems. New product development continues to receive the highest priority at Chicago and at least one major introduction will be made in 1972.

The Lynchburg Works felt the greatest impact of reduced utility purchasing and creeping overcapacity in the U. S. transformer industry. Price erosion was rapid and persistent throughout the year. The single-phase pad line was expanded to cover all ratings required in this growth market. While pole type transformer volume still grows each year, the surface and underground types are rapidly coming onto the scene. Lynchburg has designs and plans to be ready to take advantage of market opportunities. In a year-end review of Lynchburg planning, it was decided to move quickly into the power types such as those made at Belmont. These programs are under way and 1972 sales will include some results of these efforts. The industrial and conductor system product line is preparing for the rapid boom in the mass transit systems and renovation of older third rail systems to come with Federally-sponsored aid now assured. The world transportation show at Dulles Airport in 1972 will feature two of Lynchburg's collector systems on separate and different



New "Delta-Star" type "SO" switch operator capable of developing 30,000 inch pounds of torque.



Switch assembly area at Springdale Works.

vehicle approaches for future transit systems. Several important developments have patents pending or under way, and the future of this line looks extremely good.

The Marlo Works marked a significant turn-around in 1971. Concerted management action and programs planned the return to those markets and products best for this highly specialized plant. Ship-board and utility markets are most important, with industrial and commercial offering larger volume but generally more competition. The emerging utility market is relatively new for Marlo but success has been achieved to date and the future also looks promising. Principal product application is heat exchange units used in the containment cooling structure of nuclear generating stations. Major consulting engineering firms are receiving product training seminars by Marlo personnel to insure broadest coverage of market opportunities. An important large order in 1971 was the design and furnishing of 54 units of high surface air-to-liquid coolers for the vast new National Accelerator Laboratory located southwest of Chicago. Sales were lower in 1971 than a year ago, but solid profit improvement was made and the stage is set for an excellent year in 1972.

The Springdale Works had a good first half year, then experienced the same depressed market conditions as did Chicago. Declining business forced



Current collector system (between basket trays) from Lynchburg Works routes electric charge to truck bodies in electrocoating process at major truck assembly plant.



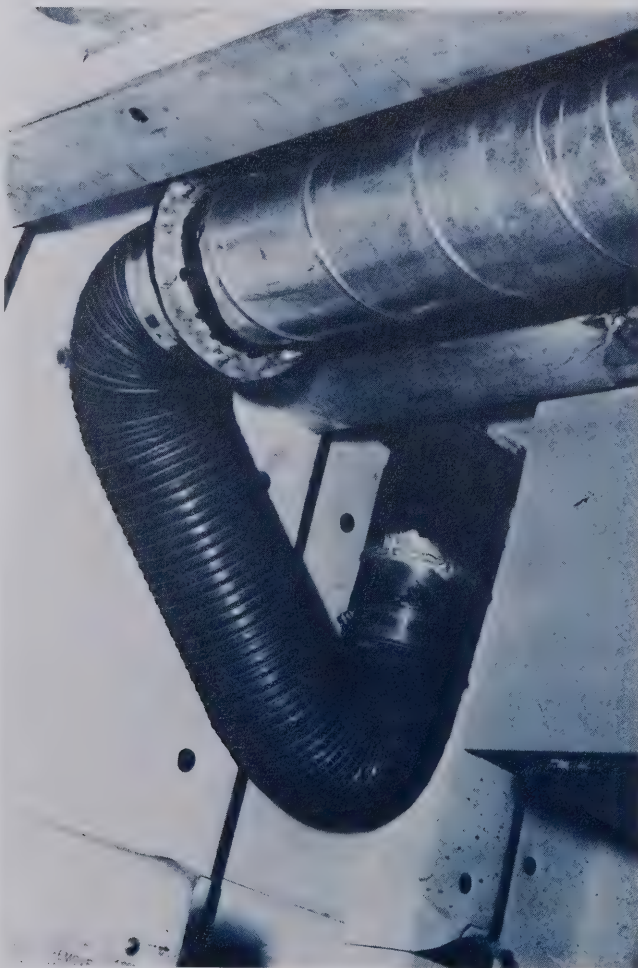
Large air to liquid heat exchanger manufactured by Marlo Coil Works for the new National Accelerator Laboratory.

lower competitive prices, severely affecting profit margins. Despite these conditions, the Works introduced and began manufacturing a new line of all aluminum side break switches, a cost reduced, lighter version of the "MK-40" vertical break switch, and entered the low voltage substation market. These programs, coupled with the anticipated improving utility activity in 1972, should produce a much improved operation. Additional new product development work is proceeding, and should result in two new products in the coming year.

The Warren Works has two basic product lines: special motors in ratings up to 50 horsepower and fans and blowers. In 1971, the motor business was off approximately 20 percent from a year earlier, due mostly to the slumping economy affecting capital equipment and the machine tool industry, major market segments for Warren. A month long strike in mid-year hurt the operation further. Fan and blower sales increased about 11 percent and made good use of the expanded production facilities occupied early in the year. Some good market opportunities are appearing for the new permanent magnet motors recently designed. Motor activity began picking up at year-end and is expected to grow with projected capital equipment growth in 1972. Major cost reduction programs, including new machine tools, will aid in keeping the line profitable.



"Portersite-G" glass insulation felt for high temperature applications is offered in a woven construction to meet military specification requirements.



Thermoid flexible ducting, shown here in a typical application, finds wide use in shipyards as well as industrial plants.

THERMOID DIVISION

Asbestos textile products including cloth, carded fiber, lap, rope, roving, tape, wick, and yarn; industrial and automotive hose; wire-reinforced ducting, and automotive friction products including brake linings and clutch facings. Plants at Huntington, Ind.; Chanute, Kan.; Richmond, Ky.; Charlotte, N. C.; Bellefontaine, Ohio and Bennettsville, S. C.

Cost reduction, improved administrative control, elimination of unprofitable product lines, and the introduction of new products during 1971 established a base for long term sales volume and profit growth beginning in 1972.

The old Quaker Works was phased out and all rubber hose operations were consolidated in the new ultra-modern Bellefontaine hose plant. All friction operations are now concentrated at the Amco and Richmond Works; all handbuilt plastics, ducting, and silicone operations are located at the Chanute Works; and all asbestos products are being produced in the Charlotte Works and the newly expanded and modernized Bennettsville Works.

Thermoid's market position in asbestos textiles, friction, rubber hose, ducting and silicone products is strong. The Division has excellent facilities, the most modern machinery and equipment, some of which is proprietary, and an aggressive, well-trained selling organization. This combination has provided the foundation for a very optimistic forecast in 1972.

The automotive OEM market continues to grow, with 1971 one of the best years in history. Thermoid hose and friction applications increased with each of the major automobile manufacturers. Requirements for noise and dust control materials are expanding rapidly. In that respect, the Asbestos Group developed a new sound control cloth that has found wide acceptance. There is also a fast-growing demand for silicone and neoprene ducting for dust control and air conditioning applications.

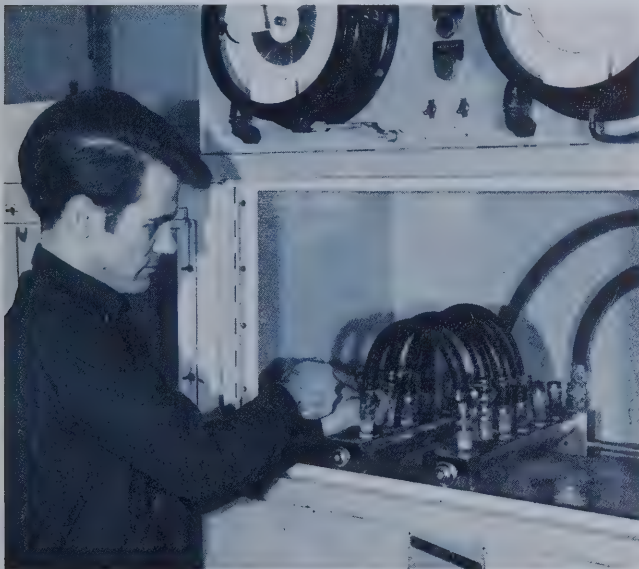
Over \$1,000,000 is being expended on dust and humidity control equipment at the Bennettsville Works. This giant installation required nine months to erect and, when completed, the plant atmosphere will be considerably cleaner than present or anticipated legislation requires. In addition to providing excellent working conditions, the clean atmosphere will contribute to producing superior asbestos textile products for customers.

Contracts have been awarded for the installation of rubber mixing equipment at the Bellefontaine hose plant. Sales volume of the Works doubled again in 1971, and the outlook for 1972 is excellent. The new intermix will make this a fully integrated rubber plant with the very latest equipment.

The Chanute Works has obtained an additional plant to provide space for the installation of silicone processing and jet starter duct manufacturing facilities. A newly designed jet starter duct scuffer jacket was put into production last August. It was



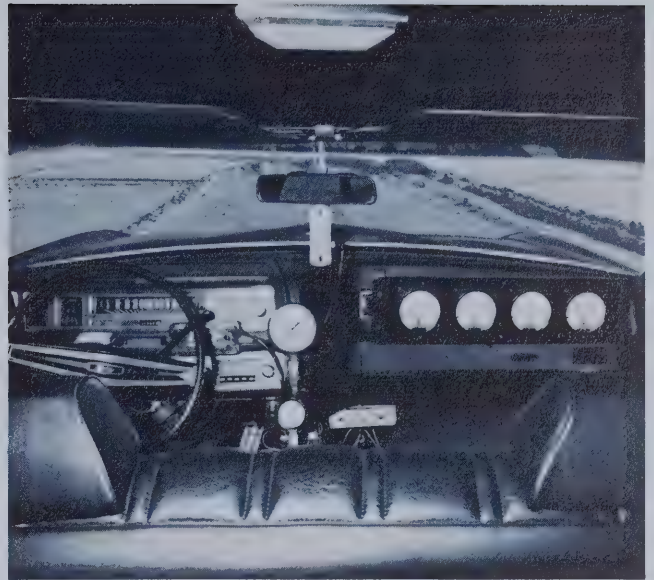
Part of the giant dust and humidity control installation at Bennettville Works.



Numerous quality control tests at Bellefontaine Works help assure uniformly excellent hose products.

approved by Army Ordnance, and the first large government contract is being completed. General acceptance by commercial airlines is expected. A new yarn treating tower has been installed at Amco, increasing capacity about 50 percent. This was required to handle clutch facing requirements of the two major U. S. mini cars plus a new medium truck clutch facing application for one of the Big Three.

Sales volume at every works exceeded that of 1970. Bellefontaine, Richmond, Bennettville, and Charlotte set all-time sales records. This is an indication of the new marketing strength, high morale, and improved customer relations. Individual salesman forecasts for 1972, which are the base for the Division budgets, show continued growth. These forecasts reflect the confidence in new and improved products; ability to remain competitive despite rising costs; improved customer service resulting from increased finished goods inventories; and creation



One of the specially-equipped automobiles utilized by Amco Works to test Thermoid disc brakes and brake linings.



Aerial view of Bellefontaine Works, where hose is manufactured by a continuous process.

of a specialist in each Group to provide immediate credit administration.

1972 appears to offer Thermoid exceptional opportunity. The Division is expanding the automotive disc pad line, will market a new truck disc pad set, and market a new non-asbestos clutch facing. The expansion of Thermoid's line of sound control cloth and the introduction of a complete light weight asbestos cloth line will increase market penetration and add to sales volume. Several research and development programs are well under way to develop new products for the automotive and truck industries that provide major quality improvements and the increased safety margins required by the new government Department of Transportation standards. During 1971, licensing arrangements were completed for furnishing know-how and patents for friction and hose products. Increased activity is anticipated in this area.

FABRICATED METALS DIVISION

Functional and decorative cold formed sections; forged steel, stainless steel and aluminum fittings and branch connections; copper-base, stainless steel and nickel base alloys in wire, flat wire, and rod; fine wire specialties in nonferrous metals. Plants at Frankfort, Ky.; Roselle, N. J. and Prospect Park, Pa.

Division sales declined during 1971, primarily because of reduced heavy industry construction; imports of wire products; and design changes in automotive trim. A three-month strike at W-S Fittings Works also adversely affected sales.

At the Alloy Works, a completely rearranged layout, permitting a straight-line manufacturing system, increases efficiency and capacity for round and flat wire production. Large flat wire take-ups were added to existing equipment, along with annealing take-ups for spider reels. Expansion of the non-ferrous line enables the plant to offer customers a wider selection of sizes.

During 1971, W-S Fittings Works completed a nuclear test laboratory that meets all applicable requirements for non-destructive testing, particularly for stainless steel fittings. The new facility represents a major step for more participation in the growing nuclear power plant and ship market. New equipment at the plant includes two chucking machines and two bar machines to fit medium order size requirements for stainless and special fittings. The size range of teelets and unions was increased to gain wider acceptance of W-S Fittings Works as a full line supplier.

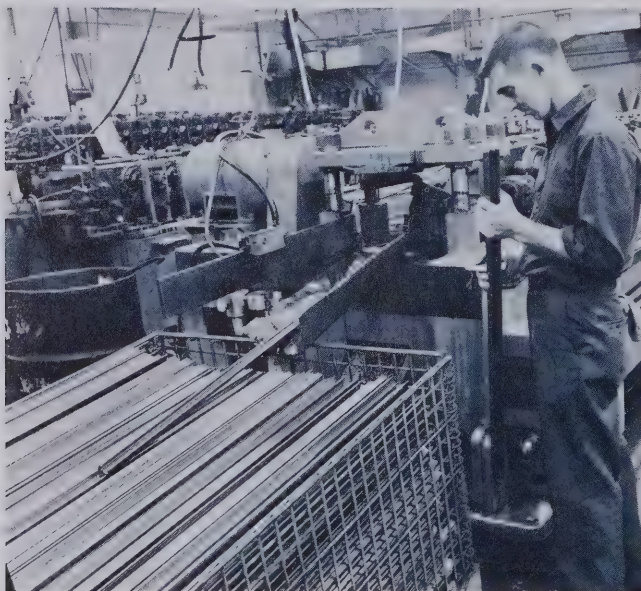
The Coldform Works consolidated operations, moving all Richmond equipment to the Frankfort plant. In expanding sales areas other than traditional roll forming, Coldform greatly increased secondary operations such as piercing, welding, and notching on customer material. Other areas of concentration

are toward mobile home, truck and trailer, and architectural business.

The Division anticipates improved sales in 1972, based on better general economic conditions, replenishment of customer inventories that were at an all-time low, and increased activity in a number of key markets including petrochemical, shipbuilding, and automotive.



Among other numerous applications, stainless steel wire from the Alloy Works is utilized in laboratory cages for animals and poultry.



Coldform Works roll forms moulding for truck door windows, and also performs secondary operations of hole punching, bending, and welding.



Technicians testing stainless steel fittings at W-S Fittings Works new nuclear test laboratory.

DOMESTIC SUBSIDIARIES

Banks-Miller Supply Company

A general supply house serving the metals and chemical industries, coal mines, road and building contractors, and their related manufacturing and fabricating companies. Primary markets in eastern Kentucky, southern Ohio, southwest Virginia, and central and southern West Virginia. Four locations, all in West Virginia. Subsidiary: Buchanan Wholesale, with two locations near Grundy, Va.

In 1971, sales showed good increases over 1970. All product lines participated, but the leaders were Mine Supply, Industrial Rubber, and Plumbing, Heating and Air Conditioning. Buchanan Wholesale suffered a minor drop in sales and profits during eight of the last nine months due to the new mine safety law.

A branch opened in Parkersburg offers good potential for both industrial sales and the growing residential market. The modernized South Charleston Branch increased sales in most areas; and the Pineville Branch progressed in sales after the addition of an operations manager and a change of sales emphasis to the large coal mines.

The Industrial Rubber Division experienced excellent growth that is expected to continue, based on firm commitments for huge footage of under-

ground conveyor belt normally sold only to manufacturers. Repair and splicing of steel cord belt has been added to service capabilities, and hydraulic hose assembly equipment installed.

Both Mine Supply and Plumbing, Heating and Air Conditioning expect to continue their upward sales pattern in 1972. Construction Sales also anticipates increases.

Pacific Asbestos Corporation

Integrated production of "Mother Lode" asbestos fibres, from mining of chrysotile asbestos through complete processing. Located at Copperopolis, Calif.

With increased production, sales also increased in 1971. During the year, a new ore preparation facility went into operation, the mining operation was computerized, and a short, very high grade fibre was introduced for the floor tile and extruded compound industries. Research continued on a process to provide pure fibres for the food and beverage processing industries.

Plans for 1972 include additional processing and environmental control equipment, new brake lining fibres, and an increased share of the asbestos-cement pipe and friction products markets. Overall market potentials appear about the same as for 1971.

INTERNATIONAL SUBSIDIARIES

H. K. Porter Australia Pty. Limited

Handsaws, hardware, circular saws and saw milling equipment, and automotive accessories. Plants at Perth and St. Marys, Australia.

Record sales were again achieved in 1971, notably by the Brakemasters group. Disston exports to the difficult marketing areas of the Far Eastern nations also increased; continuing emphasis will be directed toward those areas.

In the latter part of the year, Porter acquired all outside minority interests held in Brakemasters. These facilities will be expanded during 1972. The sale of Thermoid manufacturing facilities in August will also permit greater consolidation and expansion of the hardware and automotive divisions.

Substantial research into design and cost cutting methods on current accessory products, conducted during 1971, will provide benefits in the coming year. Sales are projected to increase in 1972 despite hardening local economic conditions for the first half of the year.

H. K. Porter do Brasil (Alcace) S. A.

Electrical equipment for industrial and utility use, including lightning arresters, fuse cutouts, switches, terminators, electric motors, connectors and motor starters; industrial and automotive friction materials. Plants at Maua, Recife, and Sao Paulo, Brasil.

Sales rose strongly during 1971 as compared with the previous year, due primarily to new products and a restructured sales organization. The outlook for 1972 is also optimistic.

Important developments during the year included the award of an international switch order in competitive bidding; production of electric ceiling fans; introduction of disc brake pads for several automobile makes; and expansion of the starting compensators line, including automatic, remote control starting units.

In 1972, it is planned to produce a new, compact type of lightning arrester; new disc brake pads; and a full line of both single- and three-phase electrical motors lower in cost than the usual cast units. Emphasis will also be directed to increased marketing of Allen-Bradley controls, for which Porter-Brasil has been appointed exclusive agent in Brasil.

Construction of new Ceramica facilities, for porcelain products such as high and low tension insulators, began in 1971, and start-up is scheduled for 1972. Also planned is automation of the bronze and aluminum alloys foundry for metal parts utilized in connectors and disconnect switches.

H. K. Porter Company (Canada) Limited

Distribution and power transformers, relays, electrical under-floor duct and surface raceway systems, floor boxes, fittings, disconnect switches, and current collector systems. Plant in Woodstock, Ontario.

During 1971, the Electrical Division plant at Woodstock shipped the bulk of the large order of 735,000 volt disconnect switches for Hydro Quebec and the Churchill Falls Labrador Power Development. These are the largest switches ever built in Canada.

Completion of transformer equipment rearrangements during the first half of the year helped to improve manufacturing efficiencies. New designs and strengthening of quality control procedures also contributed to customer acceptance of transformers. Orders continued to increase, and significant repeat orders were obtained from a number of major utilities. A new mercury contact relay introduced during the year is aimed at increasing penetration of the relay market.

H. K. Porter de Mexico S. A.

Handsaws and trowels. Plant: Mexico, D. F.

The sales volume of handsaws and plastering trowels decreased in 1971 due to the general decline of the Mexican economy and its adverse effect on



Sealed tank design power transformer of 5,000 KVA, 27,600 volts manufactured at Woodstock Works.

PORTER EUROPE

Performance for European operations improved during 1971 over the 1970 levels. In France, sales rose substantially; Netherlands showed improvement in a generally troubled automotive market; and depressed conditions in the United Kingdom restricted growth to only moderate gains. Porter-Europe enters 1972 with several important new products, leading to optimism for continued growth.

France

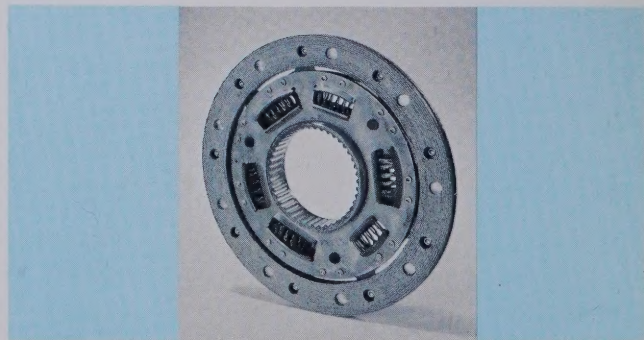
Railroad freight and tank cars, vehicle components, carbon and alloy steel castings for heavy industry, fabricated equipment for the petrochemical and steel industries, hydraulic components including pumps, control valves, cylinders, pressure controls, steering controls, and ducting for air-conditioning, industrial, and aircraft applications. Plants at Haillicourt and Marpent, France.

Record sales of tank cars, cereal and fertilizer wagons, and other materials to the railroad industry were set in 1971. There is currently a good backlog of rolling stock business, which is expected to grow. Foundry operations continued to expand and a new shot blasting tunnel, scheduled for early 1972 operation, will facilitate the finishing of castings.

the construction industry. Sales of circular saws, however, increased 17 percent in comparison with 1970. Studies are under way to determine the feasibility of manufacturing circular saw blades in 6 to 12 inch diameter sizes.

Marpent completed a licensing agreement with Galdabini of Italy for the sales and manufacturing, in France, of hydraulic presses in the 160 to 400 ton range. More ducting products are being added to the line, and production facilities are expected to double during the year.

In 1971, the Hydraulics Division marketed a new manual control valve; expanded the line of standard control valves; and concluded a licensing agreement to manufacture a new high-torque, slow-motor for heavy duty mobile equipment. The engineering sales services operation, located near Paris, was strengthened in technical capacity.



Both the Great Britain and Netherlands operations manufacture Thermoid clutch facings for the automotive industry.

Netherlands

Industrial and automotive friction products, including brake blocks, brake linings, and clutch facings. Plant: Klazienaveen, Netherlands.

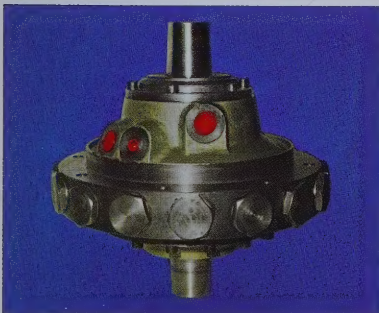
Despite a business decline during the second half of 1971, Netherlands increased sales over 1970. Approvals for Holland-made friction products included the Opel Kadett, small trucks for Daimler-Benz, and the Ford Transit. The line of clutch facings, brake blocks, and brake linings was expanded; and new equipment was installed for brake lining and block manufacture.

United Kingdom

Synthetic and natural rubber products including a wide range of hoses, moldings, sheeting, extrusions, gaskets, conveyor belting and ducting for air-conditioning, aircraft, and industrial applications. Friction materials including brake linings, blocks, and clutch facings for automotive and industrial applications. Plants at Newcastle-upon-Tyne, England; and Stirling, Scotland.

The Industrial Division added to the product line with ship to shore refueling hose and electrical floor matting for Government Departments. Hose sales to earthmoving and agricultural machine manufacturers showed gains; and continued sales increases are expected for high quality hose used on bulk road tankers. A rise in export orders to North America is also anticipated during 1972.

The Friction Materials Division placed emphasis on gaining a wider range of approvals, including the Vauxhall Viva. New formulations under development for clutch facings and brake linings will benefit both European friction operations.



Porter-France reached a licensing agreement to manufacture and market high torque, slow rotating speed hydraulic motors.

Marpent built 120 of these 8-wheel hopper cars.



Main tanker operator handling Thermoid oil discharge hose.



Electric furnace at Marpent Works produces steel for castings.



H. K. PORTER COMPANY, INC.
PITTSBURGH, PENNSYLVANIA